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Message Text

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ACTION H-03

INFO OCT-01 EUR-06 IO-03 ADP-00 SS-07 AID-01 NSC-04 RSR-01

RSC-01 /027 W
---------- 110320
R 041811 Z MAY 73
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 5143
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS UNN
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
USMISSION GENEVA
USMISSION OECD PARIS UNN

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PASS AGRICULTURE

E. O. 11652: NA
TAGS: OREP, EEC, EAGR (CODEL ROSENTHAL/ FRASER)
SUBJ: CODEL ROSENTHAL/ FRASER MEETING WITH EC
COMMISSION -- AGRICULTURE

1. SUMMARY. IN THEIR MAY 4 MEETING AT THE EC COMMISSION, CODEL ROSENTHAL/ FRASER MEMBERS DISCUSSED THE CAP AND US- EC AGRICULTURAL TRADE WITH EC COMMISSION VICE PRESIDENT SOAMES AND SEPARATELY WITH LARDINOIS, THE COMMISSIONER PRIMARILY RESPONSIBLE FOR AGRICULTURE. (OTHER SUBJECTS ARE REPORTED BY SEPARATE MESSAGE.) THE COMMISSIONERS EXPLAINED EUROPEAN AGRICULTURAL PROBLEMS IN FAMILIAR TERMS; ALLUDED TO THE CHANGES IN THE CAP THAT MAY
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OCCUR AS A RESULT OF VARIOUS INTERNAL PRESSURES; MAINTAINED THAT US AGRICULTURAL EXPORTS TO THE COMMUNITY ARE DOING BETTER THAN MANY PEOPLE IN THE US REALIZE; AND EXPLAINED IN GENERAL TERMS SOME POSSIBLITIES FOR PROGRESS ON AGRICULTURE IN THE MILTILATERAL TRADE NEGOTIATIONS. CODEL MEMBERS EXPRESSED UNDERSTANDING FOR EUROPEAN FARM PROBLEMS AND RECOGNIZED THE NEED FOR A CAP BUT ALSO REMINDED THE COMMISSIONERS OF US CONCERNS IN THIS AREA. END SUMMARY.

2. WITH SOAMES AND SEPARATELY WITH LARDINOIS, CONGRESSMAN MELCHER SAID THAT, IN THIS VIEW, THERE IS WIDESPREAD UNDERSTANDING IN THE CONGRESS NAD AMONG US FARM ORGANIZATIONS REGARDING THE NEED FOR A EUROPEAN CAP. WHILE SOME IN THE ADMINISTRATION MIGHT CONSIDER FREE TRADE IN AGRICULTURE A REALISTIC GOAL, HE DOUBTED THIS WAS POSSIBLE. ON THE OTHER HAND, AMERICANS WANT THE CAP ADJUSTED SO AS TO PERMIT MUTUAL ACCOMMODATIONS AND IMPROVE TRADING OPPORTUNITIES.

3. SOAMES RECOGNIZED THAT ASPECTS OF THE CAP NEED TO BE ADAPTED AND MENTIONED THE PROBLEMS THAT IS CREATES FOR THE UK. HE AND LARDINOIS MAINTAINED THAT US AGRICULTURAL EXPORTS TO THE COMMUNITY HAVE BEEN RISING STEADILY OVERALL EVEN IF GRAIN EXPORTS HAVE STAGNATED. INDEED, SOAMES DOUBTED THAT TRANSFOMRING THE LEVY SYSTEM INTO FIXED BORDER PROTECTION WOULD ACCELERATED THE TREND OF US EXPORTS VERY MUCH. RATIONALIZATION OF AGRICULTURE AND TECHNOLOGY ARE GOING TO CAUSE INCREASED PRODUCTION IN THE COMMUNITY IN ANY CASE. SOAMES ATEAD THAT HIS JUDGMENT IS BASED ON THE IMPERATIVES OF EUROPEAN AGRICULTURAL ECONOMIES -- NOT REPEAT NOT ANY CONSCIOUS GOAL OF SELF- SUFFICIENCY.

4. LARDINOIS INDICATED THAT THE COMMISSION IS WELL AWARE OF THE US INSISTENCE ON MEANING FUL AGRICULTURAL NEGOTIATIONS AS PART OF THE MTN. IN THIS PERSPECTIVE, HE CONSIDERED THE EC COUNCIL AGREEMENT AT LUXEMBOURG LIMITED OFFICIAL USE

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TO BE OF MAJOR IMPORTANCE. THE NINE NOW HAVE A BASIS FROM WHICH THEY CAN NEGOTIATE. HAD THEY FAILED TO REACH AN AGREEMENT ON SUPPORT PRICES AND RELATED MATTERS, THIS WOULD HAVE DARKENED THE OUTLOOK FOR THE GATT NEGOTIATIONS. HE THEN POINTED TO SOME OF THE EC COUNCIL DECISIONS ON MATTERS OTHER THAN PRICE SUPPORT -- SPECIAL HELP FOR

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FARMERS IN BACKWARD REGIONS -- THAT CAN BE HELPFUL IN IMPROVING THE CAP. (HIS PRESENTATION WAS GENERALLY SIMILARY TO RABOT' S AND SOAMES COMMENTS TO CODEL CANNON REPORTED IN EC BRUSSELS 2384.)

5. LARDINOIS, LIKE SOAMES, CLAIMED THAT THE RECORD OF US AGRICULTURAL SALES TO THE COMMUNITY HAS BEEN GOOD OVERALL DESPITE THE FALLINF OFF IN GRAIN SALES TO EUROPE. HE ALSO MAINTAINED THAT US AGRICULTURAL IMPORT POLICIES HAVE BEEN EVEN MORE PROTECTIONIST THAN THE CAP IN CERTAIN RESPECTS; I. E., IMPORT QUOTAS RATHER THAN VARIABLE LEVIES. CONGRESSMAN MELCHER RESPONDED EFFECTIVELY NOTING THAT THE US, FOR EXAMPLE, HAS NO IMPORT QUOTAS ON PORK AND HAS FOLLOWED A QUITE LIVERAL POLICY ON BEEF PRIOR TO THE PRESENT PERIOD OF SHORTAGE EVEN THOUGH THE US COULD EASILY HAVE BEEN SELF- SUFFICIENT. WE HAVE KEPT OUR MARKET OPEN TO A CONSIDERABLE EXTENT UNDER DIFFICULT CIRCUMSTANCES.

6. REPRESENTATIVE MELCHER ALSO POINTED OUT THAT WE ARE UNWILLING TO LUMP CEREALS AND SOYBEANS TOGETHER AND ACCZPT THE LOSS OF OUR TRADE IN GRAINS SIMPLY BECAUS OUR SOYBEAN EXPORTS HAVE DONE SO WELL. HE MADE A PLEA FOR MUTUAL ACCOMMODATION IN THE GATT THAT WOULD MAKE IT POSSIBLE FOR BOTH SIDES TO LIVE TOGETHR -- WITHOUT OF COURSE DESTROYING THE CAP. HE THOUGH IT POLITICALLY IMPOSSIBLE THAT THE US COULD REMOVE IMPORT QUOTAS ON DAIRY PRODUCTS. BUT THE US COULD MAKE A CONTRIBUTION TO THE NEGO-TIATIONS. HE ALSO REMINDED LARDINOIS THAT THE US HAS DROPPED ITS EXPORTS SUBSIDIES SINCE LAST FALL. HE SERIOUSLY DOUBTED THAT THEY WOULD BE REINSTATED ANYTIME SOON.

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ACTION H-03

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RSC-01 /027 W
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R 041811 Z MAY 73
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TO SECSTATE WASHDC 5144
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7. CHARACTERIZING CONGRESSMAN MELCHER' S REMARKS AS VERY HELPFUL, LARDINOIS COMMENTED ON THE TRADE NEGOTIATIONS ALONG THE FOLLOWING LINES: FREE TRADE IN AGRICULTURE IS NOT A REALISTIC OBJECTIVE. THERE MUST BE MORE ORDER ON WORLD MARKETS BUT ORGANIZATION OF THE MARKETS COULD SUBSTANTIALLY BENEFIT THE US AS WELL AS OTHER MAJOR TRADING COUNTRIES. LARDINOIS INSISTED THAT THE COUMMUNITY WILL BE PREPARED FOR ACTION NOT JUST TALK IN DEALING WITH SUCH QUESTIONS AS BUFFER STOCKS; EXPORT SUBSIDIES; AND PRICE AGREE-MENTS. THE COMMUNITY' S EXISTENCE HAS CREATED SOME PROBLEMS FOR AGRICULTURAL EXPORTERS BUT IT CAN ALSO SIMPLIFY THE PROBLEM OF REACHING AGREEMENTS INTER-NATIONALLY SINCE THE NUMBER OF PARTIES INVOLVED HAS BEEN SUBSTANTIALLY REDUCED (ONE EUROPEAN VOICE RATHER THAN NINE).
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8. LARDINOIS SAID THAT HOLDING WORLD CEREALS PRICES AT REASONABLE LEVELS WOULD, FOR EXAMPLE, MAKE POSSIBLE LOWER SUBSIDIES. THIS TOGETHER, WITH EUROPEAN PARTICIPATION IN MAINTAINING WORLD STOCKS, WOULD SAVE THE US MONEY AND PROVIDE MORE STABLE OUTLETS. IT COULD ALSO REMOVE UNDESIRABLE FORMS OF COMPETITION BETWEEN US IN THIRD MARKETS.

9. LARDINOIS SAID HE KNOW THAT THE US IS SKEPTICAL ABOUT INTERNATIONAL COMMODIY AGREEMENTS BECAUSE THE INTERNATIONAL GRAINS AND WHEAT AGREEMENTS HAVE

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NOT WORKED. THIS EXPERIENCE IN HIS VIEW SHOULD
SIMPLY MAKE US TRY HARDER RATHER THAN GIVE UP.
CONGRESSMAN MELCHER SAID THAT MANY IN THE US CONGRESS
REGRET THE FACT THAT THE US DID NOT PLAY A DIFFERENT
ROLE IN TRYING TO MAINTAIN THE PRICE FEATURE OF THE
INTERNATIONAL GRAINS AGREEMENT.
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